

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS**

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

DIRECT MARKETING CONCEPTS, INC., et
al.,

Defendants.

CIVIL ACTION NO. 04-CV-11136GAO

AFFIDAVIT OF WAYNE CALLAHAN

I, WAYNE CALLAHAN, under oath, declare as follows:

1. I was previously employed as an accountant at the firm of Leo H. Bonarrigo, CPA for thirteen (13) years, and have over twenty (20) years experience practicing as an accountant and preparing and reviewing financial statements and related documentation. My firm was retained by the defendants Direct Marketing Concepts ("DMC") and ITV Direct, Inc. ("ITV Direct") (collectively, "DMC"), located in Beverly, Massachusetts, to serve as their outside accountants. I have served as DMC's outside accountant since its inception in 2001. I am responsible for accounting department oversight and certain financial compliance matters. I make this affidavit on the basis of my own personal knowledge of the facts set forth herein and could testify competently thereto if called to do so.

2. As their accountant, I have access to all of DMC's financial books and records, and the related supported documentation. In performing my duties, I have reviewed all of these books, records and documents, and I have applied generally accepted accounting procedures and standards of practice.

3. Based on my review of the financial records, receipts and supporting documentation of the company, DMC keeps accurate and complete financial records of all of its business transactions. DMC's records are kept in the ordinary course of business and according

to generally accepted accounting principles. This includes DMC's general ledger, in which all of DMC's transactions have been properly recorded each year.

4. The DMC Defendants possess complete and accurate financial information regarding the operations of DMC and ITV Direct and they have not destroyed or altered any financial or other documents. All of their bank business transactions have been properly recorded in their financial records, including all payments to employees and principals, whether salaries or distributions. (Id.)

5. I have reviewed the Court's Preliminary Injunction Order entered on June 23, 2004. I have been responsible for assuring DMC's compliance with that order in a number of respects, including assisting in the preparation of an audited financial report, the preparation of financial statements and the submission of periodic financial data to the FTC. I also worked closely with the FTC Staff when they visited DMCs Beverly, Massachusetts facilities in July 2004. I produced numerous documents and answered all of the FTC Staff's questions concerning the operations and finances of DMC.

6. In accordance with the Court's order, DMC has timely provided the audited report, financial statements, updates to the financial statements and periodic reports.

7. Since the FTC first began investigating DMC, I have also responded to a myriad of requests from the FTC regarding its financial condition and have exceeded the requirements of the Court's Order on a number of occasions. Since June 23, 2004, all transactions in excess of \$5,000 have been reported to the FTC, as required by this Court's order. In addition, copies of bank statements have been forwarded monthly to the FTC.

8. The DMC Defendants are prepared to provide financial statements in whatever form the FTC deems appropriate, as they have already done on two previous occasions.

9. The DMC Defendants do not have any secret or offshore bank accounts, have not engaged in any fraudulent transfers, and continue to operate the business in the ordinary course, as required by the Court's Order.

10. I have reviewed DMC's financial books and records since its inception, and I have never detected any fraudulent transfers of DMC's assets, any secretion of its assets, or any destruction of the records of DMC. DMC does not hold any off-shore or secret bank accounts, or any other account or mechanism for concealing its assets.

11. I have records in my possession that show all of the assets and liabilities of DMC. All of the records of DMC's business transactions are available for review.

12. I have personally witnessed the extraordinary efforts undertaken by DMC to improve its day-to-day compliance. Several additional employees have been hired, including a full-time attorney and compliance professional on the sales floor.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 9th day of June, 2005 at Beverly, Massachusetts.

/s/Wayne Callahan
WAYNE CALLAHAN